

BALDWIN HOUSING COMMISSION  
BALDWIN, MICHIGAN  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005  
AND  
REPORTS ON COMPLIANCE AND  
ON INTERNAL CONTROL

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Baldwin Housing Commission</b>		County
Audit Date <b>9/30/05</b>	Opinion Date <b>2/15/06</b>	Date Accountant Report Submitted to State:		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

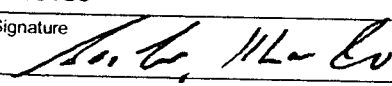
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).	✓		
Single Audit Reports (ASL GU).	✓		

Certified Public Accountant (Firm Name) <b>Sailor, Khan &amp; Co.</b>			
Street Address <b>P.O. Box 16180</b>		City <b>St. Louis</b>	State <b>MO</b>
Accountant Signature 		ZIP <b>63105</b>	Date <b>3/24/06</b>

BALDWIN HOUSING COMMISSION  
Baldwin, Michigan

TABLE OF CONTENTS

SEPTEMBER 30, 2005

	<u>Page</u>
Independent Auditor's Report	i
Management's Discussion and Analysis (unaudited)	ii-vi
Basic Financial Statements:	
Statement of Net Assets	1-2
Statement of Revenue, Expenses and Changes in Net Assets	3
Statement of Cash Flows	4-5
Notes to Financial Statements	6-17
SUPPLEMENTAL INFORMATION	
Combining Statement of Net Assets By Program	18-21
Combining Statement of Revenue, Expenses and Changes in Fund Net Assets By Program	22-23
Combining Statement of Cash Flows By Program	24-27
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Federal Awards	28
Financial Data Schedule	29-36
REPORTS ON COMPLIANCE AND ON INTERNAL CONTROL	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	38-39
Status of Prior Audit Findings	40
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor Results	41
Section II - Financial Statement Findings	42
Section III - Federal Awards Findings	43

Sailor

Khan & Co.

Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Baldwin Housing Commission  
Baldwin, Michigan

We have audited the accompanying basic financial statements of the Baldwin Housing Commission, Michigan, (Commission) as of and for the year ended September 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

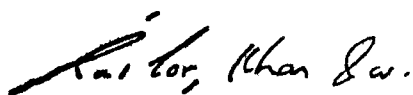
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Baldwin Housing Commission, Michigan, as of September 30, 2005, and the changes in its financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2006, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages ii to vi is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining accompanying supplemental information including the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Sailor, Khan & Co.  
February 15, 2006

## Baldwin Housing Commission

### Management's Discussion and Analysis (MD&A) September 30, 2005 (Unaudited)

This section of the Baldwin Housing Commission's annual financial report presents our management's discussion and analysis of the Commission's financial performance during the fiscal year ended on September 30, 2005. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Commission is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

#### **FINANCIAL HIGHLIGHTS**

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of September 30, 2005 were \$2,663,152. The net assets increased by \$27,772, an increase of 1.1% over the prior year.

Revenues and contributions for the Commission were \$1,123,019 for the year ended September 30, 2005. This was a decrease of \$71,511 or 6.0% from the prior year.

Expenses for the Commission were \$1,094,595 for the year ended September 30, 2005. This was a decrease of \$33,835 or 3.0% from the prior year.

HUD operating grants were \$807,130 for the year ended September 30, 2005. This was a decrease of \$79,511 or 9.0% over the prior year. Capital contributions for the Commission were \$89,756 for the year ended September 30, 2005. This was an increase of \$5,571 or 6.6% over the prior year.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund level financial statements because the Commission only has proprietary funds.

#### **Required Financial Statements**

The financial statements of the Housing Commission report information of the Commission using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

## Management's Discussion and Analysis (MD&A) - Continued

### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

#### Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Commission's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended September 30, 2005 and is required to be included in the audit reporting package.

### FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$2,663,152 at the close of the year ended September 30, 2005 up from \$2,635,380 in 2004. The increase in net assets of \$27,772 was due to the change in net assets for the year.

The unrestricted net assets were \$721,081 as of September 30, 2005. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

**Management's Discussion and Analysis (MD&A) - Continued**

**FINANCIAL ANALYSIS (CONTINUED)**

**CONDENSED STATEMENTS OF NET ASSETS  
SEPTEMBER 30,**

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 839,901	\$ 770,171	\$ 69,730	9.1%
Capital assets	<u>1,942,071</u>	<u>1,931,467</u>	<u>10,604</u>	0.5%
Total Assets	<u>2,781,972</u>	<u>2,701,638</u>	<u>80,334</u>	3.0%
Current liabilities	108,460	56,963	51,497	90.4%
Noncurrent liabilities	<u>10,360</u>	<u>9,295</u>	<u>1,065</u>	11.5%
Total Liabilities	<u>118,820</u>	<u>66,258</u>	<u>52,562</u>	79.3%
Net Assets				
Invested in capital assets	1,942,071	1,931,467	10,604	0.5%
Unrestricted	<u>721,081</u>	<u>703,913</u>	<u>17,168</u>	2.4%
Total Net Assets	<u>\$ 2,663,152</u>	<u>\$ 2,635,380</u>	<u>\$ 27,772</u>	1.1%

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the table on the following page, total revenues and contributions decreased by \$71,511 due to a decrease in HUD operating grants, which was partially offset by increases in rental revenue, interest income capital contributions and other income.

**Management's Discussion and Analysis (MD&A) - Continued**

**FINANCIAL ANALYSIS (CONTINUED)**

**CONDENSED STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
SEPTEMBER 30,**

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Revenues and Contributions</b>				
Operating - non-operating -capital contributions:				
Rental revenue	\$ 214,981	\$ 213,851	1,130	0.5%
HUD operating grants	807,130	886,641	(79,511)	-9.0%
Interest income	5,375	4,809	566	11.8%
Capital Contributions	89,756	84,185	5,571	6.6%
Other income	5,777	5,044	733	14.5%
Total Revenues and Contributions	<u>1,123,019</u>	<u>1,194,530</u>	<u>(71,511)</u>	-6.0%
<b>Expenses</b>				
Personal services	200,541	182,622	17,919	9.8%
Utilities	101,729	95,337	6,392	6.7%
Operations and maintenance	40,490	43,764	(3,274)	-7.5%
Non routine maintenance	9,554	12,519	(2,965)	-23.7%
Insurance	18,681	18,528	153	0.8%
Payment in lieu of taxes	11,284	11,937	(653)	-5.5%
Other supplies and expenses	33,796	29,691	4,105	13.8%
Housing assistance payments	596,910	652,069	(55,159)	-8.5%
Depreciation	81,610	81,963	(353)	-0.4%
Total Expenses	<u>1,094,595</u>	<u>1,128,430</u>	<u>(33,835)</u>	-3.0%
Change in net assets	28,424	66,100	(37,676)	
Beginning net assets	2,635,380	2,569,280	66,100	
Prior period adjustments	<u>(652)</u>	<u>----</u>	<u>(652)</u>	
Beginning net assets, adjusted	<u>2,634,728</u>	<u>2,569,280</u>	<u>65,448</u>	
Ending net assets	\$ <u>2,663,152</u>	\$ <u>2,635,380</u>	\$ <u>27,772</u>	

Total expenses decreased by \$33,835 due to decreases in operations and maintenance, non-routine maintenance, depreciation and housing assistance payments, which were partially offset by increases in personal services, utilities, insurance and other supplies and expenses.

The Commission currently owns and manages Public Housing units. The occupancy level for these projects was 98%.

## Management's Discussion and Analysis (MD&A) - Continued

### CAPITAL ASSETS

*Capital Assets* - The Baldwin Housing Commission's investment in capital assets, as of September 30, 2005 amounts to \$1,942,071 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

#### CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION SEPTEMBER 30,

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>
Land	\$ 623,032	\$ 623,032	\$ ----
Building	2,654,003	2,654,003	----
Furniture, equipment and machinery- dwelling	27,903	25,446	2,457
Furniture, equipment and machinery- administration	167,534	167,534	----
Leasehold improvements	26,421	26,421	----
Construction in progress	92,539	2,782	89,757
	3,591,432	3,499,218	92,214
Accumulated depreciation	1,649,361	1,567,751	81,610
Total	\$ <u>1,942,071</u>	\$ <u>1,931,467</u>	\$ <u>10,604</u>

The total increase in the Commission's capital assets for the current fiscal year was \$10,604 or 0.5% in terms of net book value. Actual expenditures to purchase equipment and construct capital assets were \$92,213 for the year. The Commission has \$7,426 available in Capital Funds to draw down and spend in the future.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations; therefore, the Housing Commission is affected more by the Federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2006 Federal budget.

### REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Sylvia Calas, Executive Director, Baldwin Housing Commission, PO Box 337, Baldwin, MI 49304.

BALDWIN HOUSING COMMISSION

Baldwin, Michigan

STATEMENT OF NET ASSETS

September 30, 2005

ASSETS

Current Assets:

Cash and cash equivalents	\$ 707,430.92
Investments	110,393.96
Receivable - net of allowances:	
Accounts	11,712.10
Accrued interest	455.17
Inventory - net of allowances	3,529.88
Prepaid expenses	<u>6,378.72</u>
Total Current Assets	<u>839,900.75</u>

Noncurrent Assets:

Capital assets:

Land, improvements, and construction in progress	715,570.98
Other capital assets, net of depreciation	<u>1,226,499.62</u>
Total capital assets- net	<u>1,942,070.60</u>
Total Noncurrent Assets	<u>1,942,070.60</u>
Total Assets	\$ <u><u>2,781,971.35</u></u>

See notes to financial statements

BALDWIN HOUSING COMMISSION

Baldwin, Michigan

STATEMENT OF NET ASSETS (CONTINUED)

September 30, 2005

**LIABILITIES**

Current Liabilities:

Accounts Payable	\$ 66,765.12
Accrued salaries, wages and benefits	3,897.97
Accrued compensated absences	14,809.12
Tenant security deposit liability	20,564.50
Deferred revenues	<u>2,423.00</u>

Total Current Liabilities	<u>108,459.71</u>
---------------------------	-------------------

Noncurrent Liabilities:

Accrued compensated absences	<u>10,360.49</u>
------------------------------	------------------

Total Noncurrent Liabilities	<u>10,360.49</u>
------------------------------	------------------

Total Liabilities	<u>118,820.20</u>
-------------------	-------------------

**NET ASSETS**

Invested in capital assets	1,942,070.60
Unrestricted	<u>721,080.55</u>

Total Net Assets	<u>2,663,151.15</u>
------------------	---------------------

Total Liabilities and Net Assets	<u>\$ 2,781,971.35</u>
----------------------------------	------------------------

See notes to financial statements

BALDWIN HOUSING COMMISSION

Baldwin, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For Year Ended September 30, 2005

<b>Operating Revenues:</b>	
Rental revenue	\$ 214,981.00
Operating subsidies- HUD grants	807,130.00
Other revenues	<u>5,776.55</u>
Total operating revenues	<u>1,027,887.55</u>
<b>Operating Expenses:</b>	
Personal services	200,540.82
Utilities	101,728.55
Operations and maintenance	40,490.47
Non routine maintenance	9,553.53
Insurance	18,680.53
Payment in lieu of taxes	11,284.35
Other supplies and expenses	33,796.23
Housing assistance payments	596,910.50
Depreciation	<u>81,609.67</u>
Total operating expenses	<u>1,094,594.65</u>
Operating income (loss)	<u>(66,707.10)</u>
<b>Non-operating revenues (expenses):</b>	
Interest and investment earnings	<u>5,374.42</u>
Net non-operating revenues (expenses)	<u>5,374.42</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(61,332.68)
Capital contributions	<u>89,756.30</u>
Change in net assets	28,423.62
Net assets at beginning of year	2,635,379.93
Prior period error corrections	<u>(652.40)</u>
Net assets adjusted at beginning of year	<u>2,634,727.53</u>
Net assets at end of year	\$ <u><u>2,663,151.15</u></u>

See notes to financial statements

BALDWIN HOUSING COMMISSION

Baldwin, Michigan

STATEMENT OF CASH FLOWS

For Year Ended September 30, 2005

<b>Cash flows from operating activities:</b>	
Cash received from tenants	\$ 214,428.00
Cash received from HUD grants- operating	876,435.00
Cash received from other operating activities	7,297.55
Cash payments for goods and services	(804,757.26)
Cash payments to employees-salaries	(137,397.23)
Cash payments for employee benefit contributions	(55,118.82)
Cash payments for in lieu of property taxes	<u>(11,937.10)</u>
Net cash provided (used) by operating activities	<u>88,950.14</u>
<b>Cash flows from capital and related financing activities:</b>	
Capital contributions	89,622.81
Payments for capital assets	<u>(92,213.05)</u>
Net cash (used) for capital and related financing activities	<u>(2,590.24)</u>
<b>Cash flows from investing activities:</b>	
Proceeds from sale of (payments) for investments	(861.05)
Interest and dividends	5,021.71
Receipts (payments) from tenant security deposits	<u>1,300.00</u>
Net cash provided (used ) from investing activities	<u>5,460.66</u>
Net increase (decrease) in cash and cash equivalents	91,820.56
Cash and cash equivalents at beginning of year	<u>615,610.36</u>
Cash and cash equivalents at end of year	<u>\$ 707,430.92</u>

See notes to financial statements

BALDWIN HOUSING COMMISSION

Baldwin, Michigan

STATEMENT OF CASH FLOWS (CONTINUED)

For Year Ended September 30, 2005

**Reconciliation of operating income (loss) to net cash  
provided (used) by operating activities:**

Operating income (loss)	\$ (66,707.10)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	81,609.67
Allowance for doubtful accounts	1,767.00
Changes in assets and liabilities:	
Receivables	21,993.00
Inventory	(1,362.84)
Prepaid expenses	388.53
Accounts and other payables	42,728.11
Deferred revenues	509.00
Compensated absences	4,522.80
Accrued expenses	<u>3,501.97</u>
Net cash provided (used) by operating activities	<u>\$ 88,950.14</u>

See notes to financial statements

## Baldwin, Michigan

September 30, 2005

The Baldwin Housing Commission (Commission) is a non-profit entity established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

**1a. Financial Reporting Entity**

Primary Government: Housing Commission

### 1b. Basis of Presentation

- 6 -

BALDWIN HOUSING COMMISSION

Baldwin, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1b. Basis of Presentation (Continued)

Following is a description of the Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low-income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

1c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

- ▶ The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

BALDWIN HOUSING COMMISSION

Baldwin, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1d. Assets, Liabilities, and Equity**

**Cash and Investments**

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2b. and 3a.

**Interprogram Receivables and Payables**

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

**Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable, accounts receivable-fraud recovery and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

**Inventories**

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

**Budgets and Budgetary Accounting**

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

BALDWIN HOUSING COMMISSION

Baldwin, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Estimates and Assumptions

The Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$50.00 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	15 - 40 years
Furniture, equipment and machinery - dwelling	10 years
Furniture, equipment and machinery - administration	5 - 10 years
Leasehold improvements	15 years

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

BALDWIN HOUSING COMMISSION

Baldwin, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1d. Assets, Liabilities, and Equity (Continued)**

**Equity Classifications**

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Commission had no related debt.
- b. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**1e. Revenues, Expenditures, and Expenses**

**Operating Revenues and Expenses**

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

**Interfund Transfers**

For the purposes of the Statement of Revenues, Expenses and Change in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

BALDWIN HOUSING COMMISSION

Baldwin, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

**NOTE 2 - Stewardship, Compliance, and Accountability**

The Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Commission's compliance with significant laws and regulations and demonstration of its stewardship over Commission resources follows.

**2a. Program Accounting Requirements**

The Commission's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Commission are as follows:

<b>Program</b>	<b>Required By</b>
Public and Indian Housing	U.S. Department of Housing and Urban Development
Housing Choice Vouchers	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development

**2b. Deposits and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of the Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Commission must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

Investments of the Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

**2c. Revenue Restrictions**

The Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the year ended September 30, 2005, the Commission complied, in all material respects, with these revenue restrictions.

BALDWIN HOUSING COMMISSION

Baldwin, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

**NOTE 3 - Detail Notes on Transaction Classes/Accounts**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**3a. Cash and Investments**

**Deposits**

The Commission's policies regarding deposits of cash are discussed in Note 1d. The table presented below is designed to disclose the level of custody credit risk assumed by the Commission based upon how its deposits were insured or secured with collateral at September 30, 2005. The categories of credit risk are defined as follows:

Category 1—Insured by FDIC or collateralized with securities held by the Commission (or public trust) or by its agent in its name

Category 2—Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Commission's name

Category 3—Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Commission's name; or collateralized with no written or approved collateral agreement

Type of Deposits	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 713,467.37	\$ 713,567.37	\$ ----	\$ ----	\$ 707,430.92
Total Deposits	\$ <u>713,467.37</u>	\$ <u>713,567.37</u>	\$ <u>----</u>	\$ <u>----</u>	\$ <u>707,430.92</u>

# BALDWIN HOUSING COMMISSION

Baldwin, Michigan

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

### NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

#### 3a. Cash and Investments (Continued)

##### Investments

The Commission's policies and applicable laws regarding investments are discussed in Notes 1d. and 2b. The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at September 30, 2005. The categories of credit risk are defined as follows:

Category 1—Insured or registered with securities held by the Commission or its agent in the Commission's name

Category 2—Uninsured and unregistered with securities held by counterparty's trust department or agent in the Commission's name

Category 3—Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Commission's name

	Custody Credit Risk			Carrying Amount	Fair Value
	Category 1	Category 2	Category 3		
Certificate of Deposit	\$ 110,393.96	\$ ----	\$ ----	\$ 110,393.96	\$ 110,393.96
	<u>\$ 110,393.96</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 110,393.96</u>	<u>\$ 110,393.96</u>

#### 3b. Accounts Receivable

Receivables detail at September 30, 2005, is as follows:

Tenant accounts receivable	\$ 3,066.00
Allowance for doubtful accounts	(426.00)
Tenants accounts receivable - net	2,640.00
Account receivable - fraud recovery	14,154.00
Allowance for doubtful accounts	(7,998.00)
Accounts receivable fraud recovery - net	6,156.00
Accounts receivable - HUD	2,916.10
	<u>\$ 11,712.10</u>

# BALDWIN HOUSING COMMISSION

Baldwin, Michigan

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

### NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

#### 3c. Capital Assets

Capital asset activity for the year ended September 30, 2005, was as follows:

	Balance October 1, 2004	Additions	(Retirements)	Balance September 30, 2005
Land	\$ 623,032.07	\$ ----	\$ ----	\$ 623,032.07
Building	2,654,002.91	----	----	2,654,002.91
Furniture, equipment and machinery- dwelling	25,445.99	2,456.75	----	27,902.74
Furniture, equipment and machinery- administration	167,533.68	----	----	167,533.68
Leasehold improvements	26,421.08	----	----	26,421.08
Construction in progress	<u>2,782.61</u>	<u>89,756.30</u>	<u>----</u>	<u>92,538.91</u>
	3,499,218.34	<u>\$ 92,213.05</u>	<u>\$ ----</u>	3,591,431.39
Accumulated depreciation	<u>1,567,751.12</u>	<u>\$ 81,609.67</u>	<u>\$ ----</u>	<u>1,649,360.79</u>
Total	<u>\$ 1,931,467.22</u>			<u>\$ 1,942,070.60</u>

#### 3d. Accounts Payable

Payable detail at September 30, 2005, is as follows:

Accounts payable - vendors	\$ 2,865.77
Accounts payable - HUD	46,459.00
Accounts payable - other government - PILOT	11,284.35
Accrued liabilities - other	<u>6,156.00</u>
	<u>\$ 66,765.12</u>

#### 3e. Compensated Absences

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at September 30, 2005 is \$25,169.61.

# BALDWIN HOUSING COMMISSION

Baldwin, Michigan

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

### NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

#### 3f. Non-current Liabilities

As of September 30, 2005, the non-current liabilities are comprised of the following:

Accrued compensated absences - non current portion	\$ <u>10,360.49</u>
Total	\$ <u>10,360.49</u>

The following is a summary of changes in non-current liabilities for the year ended September 30, 2005:

	<u>Balance September 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2005</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ <u>9,294.93</u>	\$ <u>1,065.56</u>	\$ <u>----</u>	\$ <u>10,360.49</u>	\$ <u>14,809.12</u>
Total	\$ <u>9,294.93</u>	\$ <u>1,065.56</u>	\$ <u>----</u>	\$ <u>10,360.49</u>	\$ <u>14,809.12</u>

#### 3g. Interprogram Transactions and Balances

##### *Interprogram Receivable/Payable*

Public and Indian Housing - Low Rent	\$ 25,304.34
Housing Choice Vouchers	(22,388.24)
Capital Fund Program	<u>(2,916.10)</u>
Total	\$ <u>----</u>

#### 3h. Unrestricted net assets - Prior-period Error Corrections

Following is the composite of error corrections:

1. Accounts receivable - HUD - correct to HUD 52681	\$ <u>(652.40)</u>
Totals	\$ <u>(652.40)</u>

BALDWIN HOUSING COMMISSION

Baldwin, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

NOTE 4 - Other Notes

4a. Employee Retirement Plan

Defined Contribution Plan: The Commission has also provided a defined contribution plan. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. Benefits vest at start of service. The Commission contributed 8 percent of covered payroll.

For the year ended September 30, 2005, the following amounts related to the defined contribution plan:

Commission total payroll	\$ 140,899.20
Payroll for covered employees	\$ 126,859.00
Employer (Commission) contributions made	\$ 10,148.72

4b. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with MCM Group Insurance.
b. Injuries to employees (workers' compensation)	Purchased insurance with Accident Fund Co.. Claims are administered by Accident Fund Co..
c. Physical property loss and natural disasters	Purchased commercial insurance with \$500 deductibles.
d. Health and life	Purchased health and life insurance with SBAM Plan

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

BALDWIN HOUSING COMMISSION

Baldwin, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

NOTE 4 - Other Notes (Continued)

4c. Commitments and Contingencies

Commitments—Construction

At September 30, 2005, the Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-03	\$ <u>107,415.00</u>	\$ <u>99,988.91</u>
	\$ <u><u>107,415.00</u></u>	\$ <u><u>99,988.91</u></u>

Contingencies

The Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

# BALDWIN HOUSING COMMISSION

Baldwin, Michigan

## COMBINING STATEMENT OF NET ASSETS BY PROGRAM

September 30, 2005

	Low Rent Program	Housing Choice Vouchers
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 422,056.14	\$ 285,374.78
Investments	110,393.96	-----
Receivable - net of allowances:		
Accounts	2,640.00	6,156.00
Accrued interest	455.17	-----
Due from (to) interprogram	25,304.34	(22,388.24)
Inventory - net of allowances	3,529.88	-----
Prepaid expenses	6,378.72	-----
	<u>570,758.21</u>	<u>269,142.54</u>
Total Current Assets		
Noncurrent Assets:		
Capital assets:		
Land, improvements, and construction in progress	623,032.07	-----
Other capital assets, net of depreciation	1,220,087.93	79.19
	<u>1,843,120.00</u>	<u>79.19</u>
Total capital assets- net		
Total Noncurrent Assets	<u>1,843,120.00</u>	<u>79.19</u>
Total Assets	\$ <u><u>2,413,878.21</u></u>	\$ <u><u>269,221.73</u></u>

## BALDWIN HOUSING COMMISSION

Baldwin, Michigan

## COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

September 30, 2005

	<u>Low Rent Program</u>	<u>Housing Choice Vouchers</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 13,802.24	\$ 52,962.88
Accrued salaries, wages and benefits	3,056.81	841.16
Accrued compensated absences	10,530.33	4,278.79
Tenant security deposit liability	20,564.50	----
Deferred revenues	<u>2,423.00</u>	<u>----</u>
Total Current Liabilities	<u>50,376.88</u>	<u>58,082.83</u>
Noncurrent Liabilities:		
Accrued compensated absences	<u>5,293.58</u>	<u>5,066.91</u>
Total Noncurrent Liabilities	<u>5,293.58</u>	<u>5,066.91</u>
Total Liabilities	<u>55,670.46</u>	<u>63,149.74</u>
<b>NET ASSETS</b>		
Invested in capital assets	1,843,120.00	79.19
Unrestricted	<u>515,087.75</u>	<u>205,992.80</u>
Total Net Assets	<u>2,358,207.75</u>	<u>206,071.99</u>
Total Liabilities and Net Assets	<u>\$ 2,413,878.21</u>	<u>\$ 269,221.73</u>

## BALDWIN HOUSING COMMISSION

Baldwin, Michigan

## COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

September 30, 2005

	Capital Fund Program	Totals
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ -----	\$ 707,430.92
Investments	-----	110,393.96
Receivable - net of allowances:		
Accounts	2,916.10	11,712.10
Accrued interest	-----	455.17
Due from (to) interprogram	(2,916.10)	-----
Inventory - net of allowances	-----	3,529.88
Prepaid expenses	-----	6,378.72
	<u>-----</u>	<u>6,378.72</u>
Total Current Assets	<u>-----</u>	<u>839,900.75</u>
Noncurrent Assets:		
Capital assets:		
Land, improvements, and construction in progress	92,538.91	715,570.98
Other capital assets, net of depreciation	<u>6,332.50</u>	<u>1,226,499.62</u>
	<u>98,871.41</u>	<u>1,942,070.60</u>
Total capital assets- net	<u>98,871.41</u>	<u>1,942,070.60</u>
Total Noncurrent Assets	<u>98,871.41</u>	<u>1,942,070.60</u>
Total Assets	<u>\$ 98,871.41</u>	<u>\$ 2,781,971.35</u>

## BALDWIN HOUSING COMMISSION

Baldwin, Michigan

## COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

September 30, 2005

	Capital Fund Program	Totals
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ -----	\$ 66,765.12
Accrued salaries, wages and benefits	-----	3,897.97
Accrued compensated absences	-----	14,809.12
Tenant security deposit liability	-----	20,564.50
Deferred revenues	-----	2,423.00
Total Current Liabilities	-----	108,459.71
Noncurrent Liabilities:		
Accrued compensated absences	-----	10,360.49
Total Noncurrent Liabilities	-----	10,360.49
Total Liabilities	-----	118,820.20
<b>NET ASSETS</b>		
Invested in capital assets	98,871.41	1,942,070.60
Unrestricted	-----	721,080.55
Total Net Assets	98,871.41	2,663,151.15
Total Liabilities and Net Assets	\$ <u>98,871.41</u>	\$ <u>2,781,971.35</u>

# BALDWIN HOUSING COMMISSION

Baldwin, Michigan

## COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS BY PROGRAM

For Year Ended September 30, 2005

	Low Rent Program	Housing Choice Vouchers
<b>Operating Revenues:</b>		
Rental revenue	\$ 214,981.00	\$ -----
Operating subsidies- HUD grants	130,262.00	676,868.00
Other revenues	<u>2,991.62</u>	<u>2,784.93</u>
Total operating revenues	<u>348,234.62</u>	<u>679,652.93</u>
<b>Operating Expenses:</b>		
Personal services	135,652.67	64,888.15
Utilities	101,728.55	-----
Operations and maintenance	35,213.72	5,276.75
Non routine maintenance	9,553.53	-----
Insurance	18,680.53	-----
Payment in lieu of taxes	11,284.35	-----
Other supplies and expenses	15,438.70	18,357.53
Housing assistance payments	-----	596,910.50
Depreciation	<u>80,551.47</u>	<u>313.20</u>
Total operating expenses	<u>408,103.52</u>	<u>685,746.13</u>
Operating income (loss)	<u>(59,868.90)</u>	<u>(6,093.20)</u>
<b>Non-operating revenues (expenses):</b>		
Interest and investment earnings	<u>3,435.67</u>	<u>1,938.75</u>
Net non-operating revenues (expenses)	<u>3,435.67</u>	<u>1,938.75</u>
Change in net assets	(56,433.23)	(4,154.45)
Net assets at beginning of year	2,307,748.91	210,878.84
Prior period error corrections	-----	<u>(652.40)</u>
Net assets adjusted at beginning of year	2,307,748.91	210,226.44
Equity transfers	<u>106,892.07</u>	-----
Net assets at end of year	\$ <u><u>2,358,207.75</u></u>	\$ <u><u>206,071.99</u></u>

## BALDWIN HOUSING COMMISSION

Baldwin, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)For Year Ended September 30, 2005

	Capital Fund Program	Totals
<b>Operating Revenues:</b>		
Rental revenue	\$ -----	\$ 214,981.00
Operating subsidies- HUD grants	-----	807,130.00
Other revenues	-----	5,776.55
	<u>-----</u>	<u>-----</u>
Total operating revenues	-----	1,027,887.55
<b>Operating Expenses:</b>		
Personal services	-----	200,540.82
Utilities	-----	101,728.55
Operations and maintenance	-----	40,490.47
Non routine maintenance	-----	9,553.53
Insurance	-----	18,680.53
Payment in lieu of taxes	-----	11,284.35
Other supplies and expenses	-----	33,796.23
Housing assistance payments	-----	596,910.50
Depreciation	745.00	81,609.67
	<u>745.00</u>	<u>-----</u>
Total operating expenses	745.00	1,094,594.65
	<u>-----</u>	<u>-----</u>
Operating income (loss)	(745.00)	(66,707.10)
	<u>-----</u>	<u>-----</u>
<b>Non-operating revenues (expenses):</b>		
Interest and investment earnings	-----	5,374.42
	<u>-----</u>	<u>-----</u>
Net non-operating revenues (expenses)	-----	5,374.42
	<u>-----</u>	<u>-----</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(745.00)	(61,332.68)
	<u>-----</u>	<u>-----</u>
Capital contributions	89,756.30	89,756.30
	<u>-----</u>	<u>-----</u>
Change in net assets	89,011.30	28,423.62
	<u>-----</u>	<u>-----</u>
Net assets at beginning of year	116,752.18	2,635,379.93
Prior period error corrections	-----	(652.40)
	<u>-----</u>	<u>-----</u>
Net assets adjusted at beginning of year	116,752.18	2,634,727.53
Equity transfers	(106,892.07)	-----
	<u>-----</u>	<u>-----</u>
Net assets at end of year	\$ 98,871.41	\$ 2,663,151.15
	<u>-----</u>	<u>-----</u>

## BALDWIN HOUSING COMMISSION

Baldwin, Michigan

## COMBINING STATEMENT OF CASH FLOWS BY PROGRAM

For Year Ended September 30, 2005

	Low Rent Program	Housing Choice Vouchers
<b>Cash flows from operating activities:</b>		
Cash received from tenants	\$ 214,428.00	\$ -----
Cash received from HUD grants- operating	130,262.00	746,173.00
Cash received from other operating activities	2,991.62	4,305.93
Cash payments for goods and services	(183,152.05)	(621,605.21)
Cash payments to employees-salaries	(98,420.95)	(38,976.28)
Cash payments for employee benefit contributions	(30,962.80)	(24,156.02)
Cash payments for in lieu of property taxes	(11,937.10)	-----
Net cash provided (used) by operating activities	<u>23,208.72</u>	<u>65,741.42</u>
<b>Cash flows from noncapital financing activities:</b>		
Receipts (payments) from interprograms	<u>(3,460.54)</u>	<u>3,460.54</u>
Net cash provided (used ) from non capital financing activities	<u>(3,460.54)</u>	<u>3,460.54</u>
<b>Cash flows from capital and related financing activities:</b>		
Receipts (payments) from interprograms	(133.49)	-----
Payments for capital assets	<u>(2,456.75)</u>	-----
Net cash (used) for capital and related financing activities	<u>(2,590.24)</u>	-----
<b>Cash flows from investing activities:</b>		
Proceeds from sale of (payments) for investments	(861.05)	-----
Interest and dividends	3,082.96	1,938.75
Receipts (payments) from tenant security deposits	<u>1,300.00</u>	-----
Net cash provided (used ) from investing activities	<u>3,521.91</u>	<u>1,938.75</u>
Net increase (decrease) in cash and cash equivalents	20,679.85	71,140.71
Cash and cash equivalents at beginning of year	<u>401,376.29</u>	<u>214,234.07</u>
Cash and cash equivalents at end of year	<u>\$ 422,056.14</u>	<u>\$ 285,374.78</u>

## BALDWIN HOUSING COMMISSION

Baldwin, Michigan

## COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended September 30, 2005

	<u>Low Rent Program</u>	<u>Housing Choice Vouchers</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (59,868.90)	\$ (6,093.20)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	80,551.47	313.20
Allowance for doubtful accounts	(409.00)	2,176.00
Changes in assets and liabilities:		
Receivables	(653.00)	22,646.00
Inventory	(1,362.84)	----
Prepaid expenses	388.53	----
Accounts and other payables	(2,215.46)	44,943.57
Deferred revenues	509.00	----
Compensated absences	3,608.11	914.69
Accrued expenses	<u>2,660.81</u>	<u>841.16</u>
Net cash provided (used) by operating activities	<u>\$ 23,208.72</u>	<u>\$ 65,741.42</u>

## BALDWIN HOUSING COMMISSION

Baldwin, Michigan

## COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended September 30, 2005

	Capital Fund Program	Totals
<b>Cash flows from operating activities:</b>		
Cash received from tenants	\$ -----	\$ 214,428.00
Cash received from HUD grants- operating	-----	876,435.00
Cash received from other operating activities	-----	7,297.55
Cash payments for goods and services	-----	(804,757.26)
Cash payments to employees-salaries	-----	(137,397.23)
Cash payments for employee benefit contributions	-----	(55,118.82)
Cash payments for in lieu of property taxes	-----	(11,937.10)
	<u>-----</u>	<u>(11,937.10)</u>
Net cash provided (used) by operating activities	<u>-----</u>	<u>88,950.14</u>
<b>Cash flows from capital and related financing activities:</b>		
Capital contributions	89,622.81	89,622.81
Receipts (payments) from interprograms	133.49	-----
Payments for capital assets	(89,756.30)	(92,213.05)
	<u>-----</u>	<u>(92,213.05)</u>
Net cash (used) for capital and related financing activities	<u>-----</u>	<u>(2,590.24)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of (payments) for investments	-----	(861.05)
Interest and dividends	-----	5,021.71
Receipts (payments) from tenant security deposits	-----	1,300.00
	<u>-----</u>	<u>1,300.00</u>
Net cash provided (used ) from investing activities	<u>-----</u>	<u>5,460.66</u>
Net increase (decrease) in cash and cash equivalents	-----	91,820.56
Cash and cash equivalents at beginning of year	-----	615,610.36
	<u>-----</u>	<u>615,610.36</u>
Cash and cash equivalents at end of year	\$ <u>-----</u>	\$ <u>707,430.92</u>

BALDWIN HOUSING COMMISSION

Baldwin, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended September 30, 2005

	Capital Fund Program	Totals
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (745.00)	\$ (66,707.10)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	745.00	81,609.67
Allowance for doubtful accounts	----	1,767.00
Changes in assets and liabilities:		
Receivables	----	21,993.00
Inventory	----	(1,362.84)
Prepaid expenses	----	388.53
Accounts and other payables	----	42,728.11
Deferred revenues	----	509.00
Compensated absences	----	4,522.80
Accrued expenses	----	3,501.97
	<u>          </u>	<u>          </u>
Net cash provided (used) by operating activities	\$ <u>          </u>	\$ <u>88,950.14</u>

BALDWIN HOUSING COMMISSION

Baldwin, Michigan

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS**

Year Ended September 30, 2005

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2005	Low Rent Program	14.850a	\$ <u>130,262.00</u>
	<u>Low Income Public Housing</u> <u>Major - Direct Program</u>		
2005	Housing Choice Vouchers	14.871	\$ <u>676,868.00</u>
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2005	Capital Fund program	14.872	\$ <u>89,756.30</u>
	<b>Total</b>		\$ <u>896,886.30</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1 - Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

## BALDWIN HOUSING COMMISSION

Baldwin, Michigan

## FINANCIAL DATA SCHEDULE

Year Ended September 30, 2005

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.871
<b>Assets:</b>			
Current Assets:			
Cash			
111	Cash-unrestricted	\$ 422,056.14	\$ 285,374.78
100	Total cash	<u>422,056.14</u>	<u>285,374.78</u>
Accounts and notes receivable:			
126	Accounts receivable- tenants-dwelling rents	3,066.00	----
126.1	Allowance for doubtful accounts-dwelling rents	(426.00)	----
128	Fraud recovery	----	14,154.00
128.1	Allowance for doubtful accounts-fraud	----	(7,998.00)
129	Accrued interest receivable	<u>455.17</u>	<u>----</u>
120	Total receivables, net of allowance for doubtful accounts	<u>3,095.17</u>	<u>6,156.00</u>
Current investments:			
131	Investments-unrestricted	110,393.96	----
142	Prepaid expenses and other assets	6,378.72	----
143	Inventories	3,529.88	----
144/ (347)	Interprogram due from	<u>25,304.34</u>	<u>(22,388.24)</u>
150	Total current assets	<u>570,758.21</u>	<u>269,142.54</u>
Noncurrent Assets:			
Fixed assets:			
161	Land	623,032.07	----
162	Buildings	2,654,002.91	----
163	Furniture, equipment and machinery-dwellings	27,902.74	----
164	Furniture, equipment and machinery-administration	141,351.99	18,731.69
165	Leasehold improvements	26,421.08	----
166	Accumulated depreciation	<u>(1,629,590.79)</u>	<u>(18,652.50)</u>
160	Total fixed assets, net of accumulated depreciation	<u>1,843,120.00</u>	<u>79.19</u>
180	Total noncurrent assets	<u>1,843,120.00</u>	<u>79.19</u>
190	Total Assets	<u>\$ 2,413,878.21</u>	<u>\$ 269,221.73</u>

## BALDWIN HOUSING COMMISSION

Baldwin, Michigan

## FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended September 30, 2005

FDS Line Item No.	Low Rent Program 14.850a	Housing Choice Vouchers 14.871
<b>Liabilities and Equity:</b>		
Liabilities:		
Current Liabilities:		
312 Accounts payable < 90 days	\$ (2,517.89)	\$ (347.88)
321 Accrued wage / payroll taxes payable	(3,056.81)	(841.16)
322 Accrued compensated absences- current portion	(10,530.33)	(4,278.79)
331 Accounts payable -HUD PHA programs	----	(46,459.00)
333 Accounts payable -other government	(11,284.35)	----
341 Tenant security deposits	(20,564.50)	----
342 Deferred revenues	(2,423.00)	----
346 Accrued liabilities-other	-----	(6,156.00)
310 Total current liabilities	<u>(50,376.88)</u>	<u>(58,082.83)</u>
Noncurrent Liabilities:		
354 Accrued compensated absences- non current portion	<u>(5,293.58)</u>	<u>(5,066.91)</u>
350 Total noncurrent liabilities	<u>(5,293.58)</u>	<u>(5,066.91)</u>
300 Total liabilities	<u>(55,670.46)</u>	<u>(63,149.74)</u>
Equity:		
508.1 Investment in capital assets , Net of Related Debt	<u>(1,843,120.00)</u>	<u>(79.19)</u>
512.1 Unrestricted Net Assets	<u>(515,087.75)</u>	<u>(205,992.80)</u>
600 Total Liabilities and Equity	<u>\$ (2,413,878.21)</u>	<u>\$ (269,221.73)</u>

## BALDWIN HOUSING COMMISSION

Baldwin, Michigan

## FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended September 30, 2005

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.871
	<b>Revenue:</b>		
703	Net rental revenue	\$ (214,572.00)	\$ -----
705	Total tenant revenue	(214,572.00)	-----
706	HUD PHA operating grants	(130,262.00)	(676,868.00)
711	Investment income-unrestricted	(3,435.67)	(1,938.75)
714	Fraud recovery	-----	(1,717.50)
715	Other revenue	(2,991.62)	(1,067.43)
700	Total revenue	(351,261.29)	(681,591.68)
	<b>Expenses:</b>		
	Administrative		
911	Administrative salaries	40,943.76	39,817.44
912	Auditing fees	1,314.50	1,075.50
914	Compensated absences	3,608.11	914.69
915	Employee benefit contributions-administrative	17,964.19	22,357.20
916	Other operating-administrative	13,331.35	13,467.69
	Tenant services		
924	Tenant services-other	792.85	-----
	Utilities		
931	Water	19,537.00	-----
932	Electricity	21,387.49	-----
933	Gas	30,359.98	-----
938	Other utilities expense	30,444.08	-----
	Ordinary maintenance and operation		
941	Ordinary maintenance and operation-labor	60,138.00	-----
942	Ordinary maintenance and operation-materials & other	9,177.88	1,086.26
943	Ordinary maintenance and operation-contract costs	26,035.84	4,190.49
945	Employee benefit contributions-ordinary maintenance	12,998.61	1,798.82

## BALDWIN HOUSING COMMISSION

Baldwin, Michigan

## FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended September 30, 2005

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.871
	General expenses		
961	Insurance premiums	18,680.53	----
962	Other general expense	----	3,814.34
963	Payments in lieu of taxes	11,284.35	----
964	Bad debts- tenant rents	(409.00)	----
969	Total operating expenses	317,589.52	88,522.43
970	Excess (deficit) operating revenue over operating expenses	33,671.77	593,069.25
971	Extraordinary maintenance	9,553.53	----
973	Housing assistance payments	----	596,910.50
974	Depreciation expense	80,551.47	313.20
	Total expenses other than total operating	90,105.00	597,223.70
1000	Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	(56,433.23)	(4,154.45)
	Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	\$ (56,433.23)	\$ (4,154.45)

## BALDWIN HOUSING COMMISSION

Baldwin, Michigan

## FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended September 30, 2005

FDS Line Item No.	Capital Fund Program 14.872	Total
<b>Assets:</b>		
Current Assets:		
Cash		
111 Cash-unrestricted	\$ -----	\$ 707,430.92
100 Total cash	-----	707,430.92
Accounts and notes receivable:		
122 Accounts receivable-HUD	2,916.10	2,916.10
126 Accounts receivable- tenants-dwelling rents	-----	3,066.00
126.1 Allowance for doubtful accounts-dwelling rents	-----	(426.00)
128 Fraud recovery	-----	14,154.00
128.1 Allowance for doubtful accounts-fraud	-----	(7,998.00)
129 Accrued interest receivable	-----	455.17
120 Total receivables, net of allowance for doubtful accounts	2,916.10	12,167.27
Current investments:		
131 Investments-unrestricted	-----	110,393.96
142 Prepaid expenses and other assets	-----	6,378.72
143 Inventories	-----	3,529.88
144/		
(347) Interprogram due from	(2,916.10)	-----
150 Total current assets	-----	839,900.75

## BALDWIN HOUSING COMMISSION

Baldwin, Michigan

## FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended September 30, 2005

FDS Line Item No.		Capital Fund Program 14.872	Total
	Noncurrent Assets:		
	Fixed assets:		
161	Land	-----	623,032.07
162	Buildings	-----	2,654,002.91
163	Furniture, equipment and machinery-dwellings	-----	27,902.74
164	Furniture, equipment and machinery-administration	7,450.00	167,533.68
165	Leasehold improvements	-----	26,421.08
166	Accumulated depreciation	(1,117.50)	(1,649,360.79)
167	Construction in progress	92,538.91	92,538.91
160	Total fixed assets, net of accumulated depreciation	98,871.41	1,942,070.60
180	Total noncurrent assets	98,871.41	1,942,070.60
190	Total Assets	\$ 98,871.41	\$ 2,781,971.35
	<b>Liabilities and Equity:</b>		
	Liabilities:		
	Current Liabilities:		
312	Accounts payable < 90 days	\$ -----	\$ (2,865.77)
321	Accrued wage / payroll taxes payable	-----	(3,897.97)
322	Accrued compensated absences- current portion	-----	(14,809.12)
331	Accounts payable -HUD PHA programs	-----	(46,459.00)
333	Accounts payable -other government	-----	(11,284.35)
341	Tenant security deposits	-----	(20,564.50)
342	Deferred revenues	-----	(2,423.00)
346	Accrued liabilities-other	-----	(6,156.00)
310	Total current liabilities	-----	(108,459.71)
	Noncurrent Liabilities:		
354	Accrued compensated absences- non current portion	-----	(10,360.49)
350	Total noncurrent liabilities	-----	(10,360.49)
300	Total liabilities	-----	(118,820.20)

## BALDWIN HOUSING COMMISSION

Baldwin, Michigan

## FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended September 30, 2005

FDS Line Item No.	Capital Fund Program 14.872	Total
Equity:		
508.1 Investment in capital assets , Net of Related Debt	(98,871.41)	(1,942,070.60)
512.1 Unrestricted Net Assets	----	(721,080.55)
600 Total Liabilities and Equity	\$ (98,871.41)	\$ (2,781,971.35)
Revenue:		
703 Net rental revenue	\$ -----	\$ (214,572.00)
705 Total tenant revenue	-----	(214,572.00)
706 HUD PHA operating grants	-----	(807,130.00)
706.1 HUD PHA capital grants	(89,756.30)	(89,756.30)
711 Investment income-unrestricted	-----	(5,374.42)
714 Fraud recovery	-----	(1,717.50)
715 Other revenue	-----	(4,059.05)
700 Total revenue	(89,756.30)	(1,122,609.27)
Expenses:		
Administrative		
911 Administrative salaries	-----	80,761.20
912 Auditing fees	-----	2,390.00
914 Compensated absences	-----	4,522.80
915 Employee benefit contributions-administrative	-----	40,321.39
916 Other operating-administrative	-----	26,799.04
Tenant services		
924 Tenant services-other	-----	792.85
Utilities		
931 Water	-----	19,537.00
932 Electricity	-----	21,387.49
933 Gas	-----	30,359.98
938 Other utilities expense	-----	30,444.08

## BALDWIN HOUSING COMMISSION

Baldwin, Michigan

## FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended September 30, 2005

FDS Line Item No.	Capital Fund Program 14.872	Total
Ordinary maintenance and operation		
941 Ordinary maintenance and operation-labor	----	60,138.00
942 Ordinary maintenance and operation-materials & other	----	10,264.14
943 Ordinary maintenance and operation-contract costs	----	30,226.33
945 Employee benefit contributions-ordinary maintenance	----	14,797.43
General expenses		
961 Insurance premiums	----	18,680.53
962 Other general expense	----	3,814.34
963 Payments in lieu of taxes	----	11,284.35
964 Bad debts- tenant rents	----	(409.00)
969 Total operating expenses	----	406,111.95
970 Excess (deficit) operating revenue over operating expenses	89,756.30	716,497.32
971 Extraordinary maintenance	----	9,553.53
973 Housing assistance payments	----	596,910.50
974 Depreciation expense	745.00	81,609.67
Total expenses other than total operating	745.00	688,073.70
1000 Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	89,011.30	28,423.62
Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	\$ 89,011.30	\$ 28,423.62

# Sailor Khan & Co.

Certified Public Accountants

## Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners  
Baldwin Housing Commission  
Baldwin, Michigan

We have audited the financial statements of the Baldwin Housing Commission, Michigan, (Commission) as of and for the year ended September 30, 2005, and have issued our report thereon dated February 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

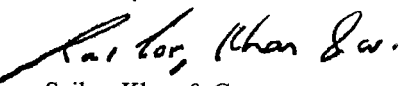
As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions is described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information of the Baldwin Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
Sailor, Khan & Co.  
February 15, 2006

**Report on Compliance with Requirements Applicable to Each Major Program and  
Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Commissioners  
Baldwin Housing Commission  
Baldwin, Michigan

Compliance

We have audited the compliance of the Baldwin Housing Commission, Michigan, (Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. The Commission's major federal programs are identified in the schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs.

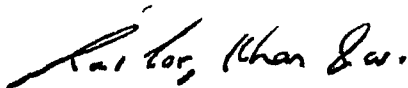
Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal program. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the Commission's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information of the Baldwin Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co.  
February 15, 2006

BALDWIN HOUSING COMMISSION

Baldwin, Michigan

**STATUS OF PRIOR AUDIT FINDINGS**

September 30, 2005

The prior audit report for the year ended September 30, 2004 contained a total of three audit findings:

**Financial Statement Findings**

None

**Federal Awards Findings**

**Finding:** Minutes Not Signed  
**Status:** Not implemented - see current finding #2

**Finding:** Tenant Files  
**Status:** Implemented

**Finding:** Bank Collateral  
**Status:** Implemented

BALDWIN HOUSING COMMISSION

Baldwin, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2005

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No
Is a "going concern" explanatory paragraph included in audit report?	No

Federal Awards:

Internal control over major programs:	
▶ Material weakness(es) identified?	No
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) on Circular A-133?	Yes
Identification of major programs:	

CFDA

<u>Number(s)</u>	<u>Name of Federal Program</u>
------------------	--------------------------------

14-871	Section 8 Housing Choice Vouchers
--------	-----------------------------------

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

BALDWIN HOUSING COMMISSION

Baldwin, Michigan

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

September 30, 2005

**SECTION II - FINANCIAL STATEMENT FINDINGS**

The current audit report for the year ended September 30, 2005 disclosed the following Financial Statement audit finding:

1. Outstanding Checks

Criteria:

Effective cash internal control procedures include reviewing bank reconciliations for items that have not cleared the bank in a reasonable amount of time.

Condition:

We noted numerous checks outstanding greater than thirty days as of September 30, 2005.

Questioned Costs:

None:

Effect:

Numerous outstanding checks were carried on the bank reconciliation for over sixty days, thereby having an effect on the proper reporting of cash balances.

Cause:

It appears that the Housing Commission does not monitor the bank reconciliation prepared and has no policy in regards to outstanding checks.

Recommendation:

We recommend that the Housing Commission monitor bank reconciliations on a monthly basis and develop a formal policy whereby outstanding checks that have yet to clear the bank in a timely manor be researched and dealt with in an appropriate manor.

Management's Response/Action Plan:

As of February 15, 2006 we voided all checks that have not been cashed within 90 days. We will continue using this practice, since our checks state that they will be voided after 90 days. We didn't void most of these checks, because one of our Section 8 Landlords passed away and her daughter was working with the court system on her estate. Again, these checks have been voided now.

BALDWIN HOUSING COMMISSION

Baldwin, Michigan

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

September 30, 2005

**SECTION III - FEDERAL AWARD FINDINGS**

The current audit report for the year ended September 30, 2005 disclosed the following Federal Awards audit finding:

2. Minutes Not Signed

Federal Award:

14-850a - Public and Indian Housing - Low Rent Program  
14-871 - Section 8 Housing Choice Vouchers

Criteria:

Minutes of meetings of the Board are incomplete unless they are signed by the Chairman and the Secretary.

Condition:

We noted that minutes of the Board of Commissioners were not signed by the Board Chairman.

Questioned Costs:

None

Effect:

Minutes of meetings are incomplete.

Cause:

The Housing Commission did not place emphasis on the completeness of the Board minutes.

Recommendation:

We recommend that the Housing Commission ensure that all minutes are adequately signed in order to ensure their completeness.

Management's Response/Action Plan:

We were advised by HUD that according to Public Act 267 as long as the minutes have been approved by the board and dated, one signature would be in compliance. Also our Audit for FYE 09/30/2004 was approved and closed with this notation. However, we will make sure that from this point forward all minutes are signed by the Executive Director and one Board Member.